

## Briefs

## Field Crops

## Harvested Durum Area To Be Largest Since 1982

The harvested area of durum wheat—used mainly for pasta production—is forecast at 4 million acres in 2000, up 12 percent from 1999 and the largest since 1982. Plantings are unchanged compared with a year earlier, but abandonment rates should return to normal after increasing sharply last year due to late maturation of the crop and unusually cold and wet conditions at harvest.

In North Dakota, the leading durum state with almost 82 percent of harvested area, planted area is 12 percent above farmer intentions published in USDA's March 31 *Prospective Plantings* report, primarily reflecting favorable weather at planting time and relatively strong futures prices for durum. Acres planted to all major field crops in North Dakota were 2.4 million above planting intentions (including a 900,000 acre gain for "other" spring wheat). Durum acreage intended for harvest is forecast at 3.25 million acres, 8 percent above last year.

In Montana, the second-ranked durum producing state, producers followed through on their large 2000 planting intentions by seeding 53 percent more acres to durum than in 1999. The forecast harvested area in Montana is the largest since 1957 and the third largest on record. Drought conditions in Montana led producers to plant 1.2 million fewer acres than intended to major crops, primarily other spring wheat and barley. Most of this land will be in summer fallow this year. The more favorable price outlook prior to planting for durum relative to other spring wheat likely convinced Montana producers to stick with earlier intentions. Soil moisture conditions have been generally favorable in northeast Montana where durum is grown.

The hike in harvested U.S. durum area, combined with a larger harvested area of other spring wheat (up 2 percent from last year), will reverse the downward trend in harvested wheat area that began in 1997. Durum and other spring wheat planting

progressed much faster than normal in the northern Plains in 2000 because of favorable weather during planting.

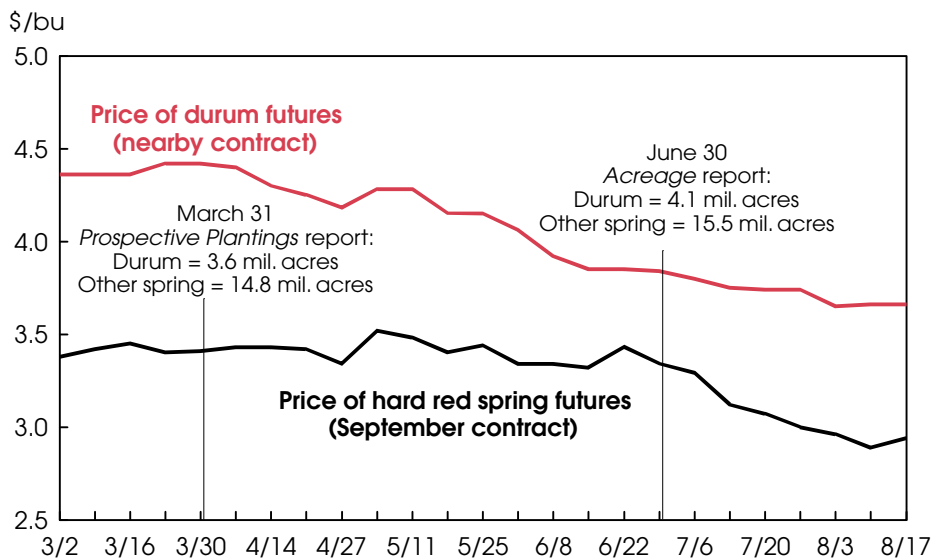
USDA's August 1 forecast indicates that U.S. farmers will harvest 115 million bushels of durum in 2000, up 16 million from the weather-plagued 1999 crop. Higher forecast yield (28.9 bushels per harvested acre vs. 27.7 bushels last year) and greater harvested area will push up production this year (however, the yield forecast for North Dakota is down 4 bushels per acre since early July). With beginning stocks on June 1 estimated at 50 million bushels and imports (grain and products) projected at 30 million, durum supply is forecast at 195 million bushels in 2000/01, up 13 million from last year.

While supplies expand, total use is projected to decline 2 million bushels to 131 million in 2000/01. This includes a projected 4-million-bushel decline in exports. Ending stocks are forecast up 14 million bushels to 64 million, the highest since 1987/88.

Larger supplies and weak export demand will keep downward pressure on farm prices for durum in 2000/01. With few alternative uses, large supplies and a huge crop expected in Canada will limit the price premium producers usually receive for durum relative to other spring wheat.

In 1999/2000, large supplies and significant quality problems drove the average *farm price* for durum to a 9-year low and 14 cents per bushel below the average for other spring wheat. The last time the farm price for durum was at a discount to other spring wheat was in the 1992/93 marketing year. In contrast, high-quality U.S. No. 1 hard amber durum at the Minneapolis *cash market* in 1999/2000 commanded an average premium of 57 cents per bushel over U.S. No. 1 dark northern spring wheat (14 percent protein). The cash market premium for durum is expected to narrow in 2000/01 because large durum crops are forecast for the U.S., Canada, and the European Union (a major importer and exporter in most years). Canada's durum production is forecast up 41 percent from last year. The EU crop is forecast up 21 percent. Persistent drought is cutting the 2000 durum crop in the key North African market—Algeria, Morocco, Tunisia, and Libya—which usually accounts for over

## Prospects for Larger Durum Acreage in 2000 Keep Pressure on Prices



Weekly settlement prices (Thursdays). Planted acreage.

Economic Research Service, USDA

40 percent of world imports. In the North African region, durum is consumed primarily as couscous, a traditional durum-semolina-based dish. U.S. exports are not expected to benefit significantly from the region's production shortfall since Canada and the EU are primary suppliers to the

region. Canada is expected to be a major competitor in other key import markets, including the EU, Japan, and Venezuela.

**AO**

*Mack N. Leath (202) 694-5302  
mleath@ers.usda.gov*

## Livestock

# Hog Producers Plan Modest Expansion

Viewing prospects for favorable returns, hog producers indicate they intend to begin rebuilding breeding herds, according to the USDA's June *Hogs and Pigs* report. After signaling a 2 percent decline for June-August 2000 compared with a year ago, producers have reversed direction and are planning to have 1 percent more sows farrow (produce litters) in September-November than a year ago. Hog producers' returns moved well above the economic breakeven point (receipts less costs) in first-half 2000, as prices rallied into the low \$50's per cwt and feed costs remained the lowest in several years.

Producers have been reducing herds due to poor returns in late 1998 and 1999. The June 1 inventory of all hogs and pigs totaled 59.4 million head, and the 6.23 million breeding hogs in that total was a 4-percent drop from last year.

The additional farrowings, along with a rising number of pigs per litter, would increase the pig crop 1-2 percent for September 2000-February 2001 over the same period a year earlier. Pork production, in turn, is forecast up about 1 percent in calendar 2001, with the first quarterly year-over-year rise in March-May 2001 since third-quarter 1999. The hog production cycle is 10 months—4 from conception to birth, 1 from birth to weaning, and 5 from weaning until slaughter.

But before expansion takes hold, pork production will fall 2 percent in second-half 2000 from a year earlier, based on a 4-percent decline in hog slaughter and a continued rise in average dressed weight. The forecast drop in slaughter results from a 2-percent-smaller pig crop for December 1999-May 2000 compared with a year earlier and slightly higher gilt (female) retention for the breeding herd. Farrowings during the period were down from a year earlier, but pigs per litter were up. (The move in the industry to larger specialized operations has been partly responsible for the larger litters. For example, farms with 5,000 or more hogs averaged 9 pigs per litter in March-May 2000, compared with 7.8 for farms with 1-99 head.)

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Raising animals in confinement generates problems of manure management.

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Do environmental regulations affect decisions on location of operations?

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Spring's seasonal decline in slaughter rates, the public's taste for bacon, and the rising price of beef ratcheted up hog prices into the low \$50's per cwt in late spring and early summer 2000. Demand for bacon continued strong, especially for

fast-food industry use in sandwiches. As beef prices rose, food retailers featured the more price-attractive pork loins, strengthening loin prices.

With lower pork production in the near term, prospects for only modest expansion next year, and ongoing healthy retail demand, the hog market promises to be relatively strong into 2001. While there is some uncertainty about whether this year's strong demand will persist, hog prices are expected to average in the mid-\$40s per cwt in 2000. In late fall 2000, when slaughter reaches a seasonal peak, hog prices could average around \$40 per cwt. Given expected expansion in production in 2001, slaughter capacity could be strained late in the year, putting downward pressure on hog prices. Hog prices are expected to average \$42-46 per cwt in 2001.

Retail price hikes usually lag behind increases in farm prices; with rising hog prices in first-half 2000, the farm-to-retail price spread can be expected to narrow, then widen. By second-quarter 2000, the price spread had shrunk to \$1.68 per pound after averaging \$1.81 in 1998 and 1999. Following the 2-year price decline, tighter pork supplies will probably push retail pork prices up 5-6 percent this year. In 2001, retail prices may increase about 1 percent, widening the spread again.

Producers will likely stay in a mood to expand, with hog prices much higher than a few years ago and lower feed prices anticipated over the next 18 months (record corn and soybean crops are projected for 2000). As producers rebuild their equity positions and as large facilities take extra time to get up to speed, however, growth will probably be gradual. **AO**

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### For further information, contact:

Leland Southard, coordinator; Ron Gustafson, cattle; Leland Southard, hogs; Mildred Haley, world pork; Dale Leuck, world beef; David Harvey, poultry. All are at (202) 694-5180.